

Compliance and Reporting Committee (CRC)

HYBRID MEETING – 17 February 2025

ITEM 7 PAPER D

Audit update

Audit consultation

1. At the October 2024 Committee meeting it was agreed to write to the Minister to repeat an earlier recommendation made by the Board to Government in August 2022 for the separation of pension fund accounts from that of the administering authority's main accounts. On 13 November 2024, [a letter was sent](#) to Local Government Minister, Jim McMahon MP.
2. Following the publication of the [Government's English Devolution White](#) paper on 16 December 2024, an open consultation was then launched by Government setting out proposals for overhauling the local audit system in England. The consultation ([Local audit reform: a strategy for overhauling the local audit system in England](#)) closed on 29 January 2025 and set out a series of measures to improve the local audit system and mentioned a commitment to consider legislating to decouple the pension fund accounts from the main accounts of the administering authority.
3. This was a small mention in an extensive consultation and there wasn't a specific consultation question seeking views on this issue. However, the Board thought it was important for us to feed into the consultation [and the Board's response was submitted](#), based on views obtained from the audit working group and the recent audit roundtable meeting. The Board's response is supportive of the decoupling commitment but there are more questions around the impact on proposed impact on the audit timetable that comes with decoupling, the role of the proposed Key Audit Partner and the appropriate timetable for completion of pension fund audit, taking into account practicality for funds and the needs of scheme employers.
4. The Secretariat also liaised with finance colleagues at the Local Government Association (LGA) who were leading on the corporate response to the full range of proposals on local audit, to ensure that representations supportive of the decoupling of accounts were also made in the LGA's response.
5. The Secretariat would welcome the Committee's view on extending the membership of the Audit Working Group to include a representative from the audit firms on the Public Sector Audit Appointments (PSAA),

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once more information is known on the outcome of the Government audit consultation.

Audit roundtable meeting

6. The actions and agreements from the Audit Roundtable meeting held on 9 December 2024 can be found at **Annex A**.
7. As discussed at the meeting, the Secretariat hasn't yet set a date for the next meeting but will keep this under review, taking into account likely busy times for auditors and when the Government's response to the audit consultation is expected.

Virgin Media Section 37 – Court of Appeal judgment

8. As detailed in the notes from the Audit Roundtable discussion at Annex A, it is clear that the sector believes there is still clarity needed for the LGPS (and wider public sector schemes) around the impact of this judgement on the LGPS. Whilst the update in the [LGPC bulletin 257](#) was welcomed, this Committee is asked to recommend that the Board writes to the Pensions Minister or Chief Secretary to the Treasury to request that an official statement is made on how this issue will be resolved for public sector pension schemes.

CRC membership

9. The Secretariat have been approached by Alison Murray of Barnett Waddingham (BW) to ask whether BW could also have a place on the Committee in their capacity as governance consultants.
10. The Committee agreed in February 2024 to amend its Terms of Reference (ToR) to allow for governance consultants to be a constituency that is represented. At the time it also agreed to invite Mary Lambe from AON and Ian Colvin from Hymans to join the Committee on that basis. It was felt at the time that it would not be helpful to the effective management of the committee to have all governance consultancies represented on the Committee separately.
11. The ToR also includes a paragraph which states '*with the permission of the Chair, invitations shall be made to appropriate individuals to assist with the consideration of items in the workplan. Such individuals shall attend for the whole or part of a meeting as agreed by the Chair but shall have no voting rights on the Committee*'. So an alternative option in the short term could be to ask Barnett Waddingham to send someone from the firm to attend meetings as an observer.
